

Scenario:

Municipality with two taxpayers.

Lands in 1999 are not in tree growth

Town has 20,000 acres – 10,000 for each taxpayer

Land values: all back land held at \$500.00 per acre or \$10,000,000.00 = \$5,000,000 each

100 Residential Taxpayers with average value of 50,000. = 5,000,000 = \$500 each

Total value of the town is therefore 15,000,000

Town expenses in 1999, 2000, 2001 are \$150,000 (1999 mil rate is .010) or 10.00 per thousand of value.

County where land is: Penobscot.

Each of the two land taxpayers must pay \$50,000 in taxes in support of the town in year and the 100 residential taxpayers pay another \$50,000

Year 2. 2000 Taxpayer #1 goes into Tree Growth with 2,000 acres hardwood, 4,000 mixed wood and 4,000 softwood

$$2000 \times 77.10 = 154,200$$

$$4000 \times 99.10 = 396,400$$

$$4000 \times 124.20 = 496,800 = \$1,047,400$$

$$+\$5,000,000$$

$$\text{Residential Taxpayers } +\$5,000,000$$

$$\underline{\$11,047,400 = \text{total valuation}}$$

in year 2 = mil rate of .0136 a 35%
increase in the tax rate

Taxpayer 1 now pays 14,244.64

Taxpayer #2 pays: 68,000.00

Residential taxpayers pay 68,000.00 = \$680.00 in taxes

Year 3 2001 Taxpayer #2 decides to also go into tree growth

$$2000 \times 78.70 = 157,400$$

$$4000 \times 81.80 = 327,200$$

$$\underline{4000 \times 102.80 = 411,200} = \$895,800$$

Under this valuation of the land the mil rate = $895,800 \times 2 = 1,791,600$ = land valuation

Residential valuation, $\underline{5,000,000}$

Each party will now pay 50,000 in taxes. $6,791,600 = .0221$

Residential Taxpayer now pays: $\$110,500 / 100 = \$1,105.00$

Taxpayer #1 pays 19,779

Taxpayer #2 pays 19,779

150,058

The Tree Growth Tax Shift. (why some municipal officials do not like Tree Growth)

Piddletown is a very small rural community of about 22,000 acres, a few miles from Bangor, Maine in Penobscot County. More than 90% of the municipality is undeveloped forestland divided between two owners with only 100 residential properties in town. Both Josiah Skidder and Hezikiah de Forest have 10,000 acres each of fine forestland and the balance of fewer than 2000 acres is divided between the residential owners. There has been no growth in this town during the past few years so that the town's expenses have been steady at approximately \$150,000 per year. The assessor, who valued all undeveloped land at \$500.00 per acre and averaged the values of all the residential property at \$50,000, has set the tax rate for the year 1999 at .010. This computes to a tax bill for the taxpayers of Piddletown as follows:

<u>Name</u>	<u>Acreage-value/acre</u>	<u>Property Value</u>	<u>Tax</u>
Josiah Skidder	10,000 acres @\$500 per acre.	\$5,000,000	\$50,000.00
Hezikiah de Forest	10,000 acres @\$500 per acre.	\$5,000,000	\$50,000.00
Residential Properties	100 @ \$50,000 each	<u>\$5,000,000</u>	<u>\$50,000.00 (@\$500)</u>
		15,000,000	\$150,000.00

The following year and just before April 1 of 2000, Josiah Skidder applied for and received approval to place his 10,000 acres under the Tree Growth Tax Law in order to reduce his tax burden. The Town meeting did not change the amount needed for town charges and there were no other changes in property ownership. The assessor estimated the tree growth reimbursement from the State for that year to be \$7,000 and subtracted this from the amount needed to meet town expenses, making a total needed to be raised through property taxes of \$143,000.

Under the Tree Growth Tax Law Josiah Smiths land was valued as

Hardwood: 2000 acres X 77.10 = \$154,200
Mixed Wood: 4000 acres X 99.10 = \$396,400
Soft Wood: 4000 acres X 124.20 = \$496,800
\$1,047,400

When the Assessor added up the valuations of the property in town, this resulted in an increase in the mil rate to .0129, an increase in the rate of over 29%

The Tax bills in the year 2000 were as follows:

<u>Name</u>	<u>Acreage-value/acre</u>	<u>Property Value</u>	<u>Tax</u>
Josiah Skidder	10,000 acres tree growth.	\$1,047,400	\$13,500.00(+)
Hezikiah de Forest	10,000 acres @\$500 per acre.	\$5,000,000	\$64,500.00(+)
Residential Properties	100 @ \$50,000 each	<u>\$5,000,000</u>	<u>\$64,500.00(@\$645)</u>
		\$11,047,400	\$143,000.00

In 2001, Hezikiah de Forest, finding that his taxes increased in 2000 even though there was no increase in Town expenses, also decided to place his land in Tree Growth and applied to the assessor and was approved. Once again the Town meeting voted no new expenses and the total to be raised by taxes remained \$150,000. Tree Growth reimbursement for the year was computed to be about \$26,000, which reduced the amount needed to be raised through taxes to \$124,000. Needless to say, the residential taxpayers were unhappy about the large increase in taxes they had

experienced the past year and were anxious to know what would happen to taxes in 2001. Due to the change in valuation of the undeveloped land from \$500.00 per acre to Tree Growth values, the mil rate increased to .0183 or . The bad news tax bills follow.

Note here that tree growth rates changed between 2000 and 2001

Hardwood: 4000acres X 78.70 = \$314,800
Mixed Wood: 8000 acres X 81.80 = \$654,400
Soft Wood: 8000 acres X 102.80 = \$822,400
\$1,791,600 = \$895,800 each

Name	Acreage-value/acre	Property Value	Tax
Josiah Skidder	10,000 acres tree growth.	\$895,800.00	\$16,378.00
Hezikiah de Forest	10,000 acres tree growth	\$895,800.00	\$16,378.00
Residential Properties	100 @ \$50,000 each	<u>\$5,000,000.00</u>	<u>\$91,500(@\$915.00)</u>
		\$6,791,600.00	\$124,000.00 (+-)

Thus, because of the increases in the acreage of land in the Tree Growth Tax Program in Piddletown, residential taxes increased in two years by around 90%, from \$500.00 for 1999, to \$645 for 2000, and to \$950 for 2001. In the year 2000, Josiah Skidder was pleased by a reduction in his taxes of over \$36,000 by entering the tree growth program, but did not understand when his taxes went up by \$3,000.00 for 2001 even though Tree Growth rates had come down and he had done nothing to his forestland. Needless to say, Hezikiah de Forest was pleased at having his taxes reduced from \$64,500 to \$16,300 per year.